REMARKS

There are 149 claims pending in this application.

Claim 33 was objected to and has been amended herein to add "value". Support for the addition of the missing word comes from claims 68, 97 and 130, which recite the same language as claim 33 and demonstrate that the missing word was "value". Thus, no new matter has been added.

In addition, claims 52 and 65 have been amended for reasons not related to patentability, but to correct typographical errors. In claim 52, duplicative words were removed. Claim 64 has been amended to substitute "incentive" for --investment--. This substitution corrects the meaning of the claim, as demonstrated by claims 23, 26, 27, 63, and 124, which contain the correct, original wording. Thus, no new matter has been added.

Applicant has amended the specification in paragraphs [0038], [0080], [0084], [0094], [0099], [0109], [0110], [0111], [0120], [0121] and [0152] to correct grammar, punctuation, spelling, improper bolding and the like. These changes do not alter the substance of the specification and add no new matter.

Interview Summary

Applicant thanks the Examiner for the interview held at the US Patent and Trademark Office on 28 January 2005 attended by Mr. John L. Young, Examiner, Mr. P. Christopher J. Gallagher, Applicant and Ms. Loretta F. Smith, Esq., Applicant's Representative. The Examiner has placed in the application file a summary record of the interview. To add to the Examiner's summary, there were no principal proposed amendments discussed. The arguments presented to the examiner focused on the absence in the single cited reference of certain recited elements, particularly those of the business entity and the providing element. The examiner invited applicant to explore these arguments in detail in the response, which have been done below.

REJECTIONS

<u>35 U.S.C. 101</u>

Pursuant to this statute, the Office Action rejected claims 1-36, 72-74, 77-80 and 86-87 as directed to non-statutory subject matter. Independent claims 1, 72, 77, and 86 have been amended to define statutory subject matter. Applicant thanks the examiner for his help in clarifying the basis of this objection and for suggesting appropriate claim amendments.

<u>Under 35 U.S.C. 103(a)</u>

Pursuant to this statute, the Office Action rejected all of the claims as obvious in view of U.S. Pat. No. 6,243,688 to Kalina ["Kalina"] over varying combinations of elements alleged to be well known in the art at the time of the invention. The Office Action declares that the motivation for modifying Kalina with the allegedly well-known elements comes from within the Kalina reference.

Traverse

Kalina does not establish a prima facie obviousness rejection because, as MPEP § 2142 requires, it does not teach or suggest all the claim limitations. Specifically, Kalina does not disclose the recited elements of:

a) a business entity or an authorized operator carrying out the incentive award program; or

b) the step of providing the incentive award.

Nor are these disclosed in the allegedly, well-known elements.

Kalina cannot disclose or imply the business entity as recited in the claims. This is because the Kalina interchange, whether operated over the Internet or otherwise, is administered almost exclusively through a software program. Banks and vendors participating in the Kalina interchange team up through a central system (col. 2, line 66 to col. 3, line 3) to reward certain purchases using a pre-assigned system of credit award amounts (col. 2, lines 4-6). The participating banks and vendors agree to fund the credit awards by contributing a portion of credit card or other interest they collect from customers/debtors on past purchases (col. 3, lines 18-21 and lines 35-46).

The system is created largely because participating banks and vendors share software which first recognizes those credit holders/customers that make awardable purchases and then calculates the amount of their awards (Kalina, col. 3, lines 11-14 and lines 31-35). In doing so, the software program automatically grants to the recognized customer's account a pre-assigned number of purchase credits, which depend on the purchase amount. The software tallies the credits assigned to each subsequent purchase until the accumulation of a pre-assigned total. This triggers the purchase of investments chosen by the customer. See Kalina, Figure 2, especially boxes 108 to 112.

Kalina at col. 5, lines 11-12 equates the Kalina interchange, depicted as element 20 in Figure 1, to be a central computer system. This element is also termed <u>the central system</u> at col. 5, lines 54–65 and at col. 6, lines 15-24). And, it is the central system (col. 4, lines 12-44

and lines 54-63; col.6, lines 15-41) that administers the Kalina award program in a mechanistic fashion once the banks and vendors have agreed to participate in the interchange.

On careful inspection, a mechanistic, "central computer system" is exactly what one would expect to administer the Kalina method because this method is only about rewarding consumers who pay interest on debt (col. 1, lines 53-57). There is absolutely no consideration disclosed or implied in Kalina of generating wealth-creating opportunities for the "central system" that carries out its method.

Unlike in Kalina, the present method is carried out by a business entity, not a central computer system. And different from Kalina, the present method is not about mechanistically gifting consumers for accumulating debt but offers income-generating opportunities for the business entity that carries it out. To the point, it is the business entity's actual carrying out of the present method that creates income-generating potential for the business entity. This is in part because of two interrelated aspects of the method: the way by which the business entity acquires funding of the present program and how it uses those funds to provide the incentive award.

Business Entity

The business entity collects funds in several ways: by charging a vendor a percentage of the revenue of a rewarded transaction (spec., ¶ 28) and/or by charging transacting parties for participating in a rewarded transaction (participation fee) (spec., ¶ 29) and/or by charging entities, termed authorized operators, (which may be transacting parties) an authorization fee to practice the incentive award program in a downstream or a horizontal niche (spec., ¶¶ 17-23, ¶ 30, ¶¶ 106-107). The amount of collected fees depends in part on the kinds of transacting parties and on the business entity's discretion (spec., ¶¶ 32-33). The business entity places award fees received on direct behalf of recipients in recipients' accounts (¶¶ 48, 97, 154). This directly contrasts with Kalina, in which it is purchase credits that are assigned to consumer accounts and accumulate with more purchases. Other fees are disposed as the business entity chooses, for example, to defray the costs of operating the program, to be invested in any way the business entity may select, or as profits to be placed in reserve or as profits to be disbursed to employees, directors, shareholders, to philanthropic causes and the like (spec., ¶ 44.

The business entity can carry out the present program in a number of ways not disclosed, implied or contemplated by Kalina:

1) The business entity can provide recipients with awards of equity in a business enterprise, which tap into the Market Capitalization Value of an enterprise, instead of being denominated simply as a modest fraction of the revenue amount involved in a transaction (spec.,¶¶ 46-47, 96-97). This kind of incentive award allows the business entity to reward all manner of recipients as contrasted with Kalina that focuses on rewarding the indebted consumer (spec., ¶¶ 168-171).

2) Further, the business entity can choose to reward with an incentive that comprises equity in the business performance of the incentive award program itself. In doing so, the business entity can create a positive feedback loop whereby the more profit the incentive award program generates, the more valuable a share of equity becomes (see especially, spec. ¶¶ 180-182).

By virtue of the positive feedback loop, the present method enables a scaling result, that is, it can incentivize all comers without granting excessive amounts of equity (spec., ¶ 99). For example, if twice as many recipients transact in a period compared with an earlier period, the business entity will generate twice the profit. Accordingly, with the reasonable expectation of a constant Price-to-Earnings-Ratio for a unit of equity, the share price will double in the latter period and twice as many recipients can receive an award of equal value to that disbursed in the former period without increasing the quantity of equity disbursed overall.

3) The business entity can restrict the overall amount of equity granted in the business performance of the incentive program itself, especially if the unit value of shares is growing rapidly (spec., ¶ 99). Parties holding such equity would not generally want their holdings diluted by the issuance of new shares. Yet, in the present method, the business entity can issue new shares (spec. ¶117), thereby diluting the unit value of a share by a controlled, small amount. Particularly when the unit value of shares is growing (spec., ¶¶ 97, 99, 172), for example, if the value of a share of equity in the award program itself doubles in a year, a recipient is not likely to complain about 3% dilution in the same period (spec., ¶ 82).

4) A benefit of high utility to the business entity is that providing recipients with shares in the equity of the incentive program itself costs the business entity nothing. New shares can eventually be issued when the equity holding of each recipient is monetized – for instance, upon cashing out or when a recipient chooses to switch from equity into a vehicle for investment that the business entity must pay cash for.

Since the business entity carries out the present method as a free cash flow and profit generating enterprise for itself, in addition to being a method of providing an exciting range of rewards to recipients and business growth for transacting parties, the present method is neither invariant nor mechanistic as in Kalina. The above description unequivocally shows that the business entity is not the mechanistic "central system" of Kalina and that significant benefits arise from the business entity's carrying out the program, which are not contemplated by Kalina. The claims specifically recite that the business entity is the owner of the incentive award program or an authorized operator of it. Kalina does not and cannot teach the recited element of business entity.

The step of Providing

Also different from Kalina, the present step of providing the award, i.e., the chosen investments, can occur in alternative ways. First, in the situation when the business entity cannot issue dilutive instruments in its own worth (also called dilutive instruments of ownership), the business entity can use the appropriate portion of the collected fees to fund the chosen investments in the award recipient's account (spec., ¶48).

Alternatively, when the business entity can issue dilutive instruments of ownership, the step of providing is different. The business entity determines the amount of the chosen investment by, for example, determining the number of shares of stock in its own worth that it will issue as the incentive award (spec., ¶¶49-50) and can credit the shares to the recipient's account. In doing so, it can estimate a monetary value for these shares or use the stock exchange value, if possible (*id.*).

Kalina does not teach the step of providing as these alternative pathways. It does not teach all of the recited elements and therefore cannot support the prima facie obviousness rejections. Applicant respectfully requests their withdrawal.

In view of the foregoing, Applicant respectfully requests allowance of the above-referenced application.

Respectfully submitted,

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